

# **HARDIN COUNTY**

## **Independent Auditors' Reports Basic Financial Statements and Supplementary Information Schedule of Findings**

**June 30, 2015**

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# Hardin County

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# Hardin County Officials

## (Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Lauterbach	Board of Supervisors	January 2015
Lance Granzow	Board of Supervisors	January 2015
Ronn Rickels	Board of Supervisors	January 2017
Jessica Lara	County Auditor	January 2017
Machel Eichmeier	County Treasurer	January 2015
Barbara Nuss	County Recorder	January 2015
Dave McDaniel	County Sheriff	January 2017
Randall Tilton	County Attorney	January 2015
Don Knoell	County Assessor	January 2015

## (After January 2015)

Ronn Rickels	Board of Supervisors	January 2017
Lance Granzow	Board of Supervisors	January 2019
Renee McClellan	Board of Supervisors	January 2019
Jessica Lara	County Auditor	January 2017
Machel Eichmeier	County Treasurer	January 2019
Lori Kadner	County Recorder	January 2019
Dave McDaniel	County Sheriff	January 2017
Richard Dunn	County Attorney	January 2019
Don Knoell	County Assessor	January 2016



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Hardin County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information and the respective changes in its financial position and, where applicable, its cash flows thereof for the year ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 13 to the financial statements, Hardin County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 53 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2015 on our consideration of Hardin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hardin County's internal control over financial reporting and on compliance.

*Bowman and Miller, P.C.*

November 25, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Hardin County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2015 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 15.8%, or approximately \$3.1 million, from fiscal year 2014 to fiscal year 2015. Property tax increased approximately \$795,000, operating grants and contributions increased approximately \$180,000, capital grants and contributions decreased approximately \$4 million and charges for service decreased approximately \$308,000.
- Program expenses of the County's governmental activities were 1.7%, or approximately \$286,000, more in fiscal year 2015 than in fiscal year 2014. Mental health expenses increased approximately \$1.4 million, roads and transportation expenses decreased approximately \$488,000 and non-program expenses decreased approximately \$304,000.
- The County's net position decreased 2.1%, or approximately \$592,000, from June 30, 2014 to June 30, 2015.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Hardin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Hardin County's combined net position decreased from approximately \$31 million to approximately \$27.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 36,988	39,111
Capital assets	30,115	31,214
Total assets	67,103	70,325
Deferred outflows of resources	562	-
Long-term liabilities	30,636	29,925
Other liabilities	728	1,760
Total liabilities	31,364	31,685
Deferred inflows of resources	8,943	7,667
Net position:		
Net investment in capital assets	21,922	22,482
Restricted	6,903	7,005
Unrestricted	(1,467)	1,486
Total net position	\$ 27,358	30,973

Net position of Hardin County's governmental activities decreased 11.7% (approximately \$27.4 million compared to approximately \$31 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$1.5 million at June 30, 2014 to a deficit of approximately \$1.5 million at the end of this year, a decrease of 199%.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 was implemented during fiscal year 2015.

The beginning net position as of July 1, 2014 was restated by \$3,023,425 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities		
	Year Ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,982,041	2,289,673
Operating grants, contributions, and restricted interest	3,653,046	3,473,429
Capital grants, contributions and restricted interest	1,444,892	5,409,380
General revenues:		
Property tax	7,862,923	7,068,002
Interest and penalty on property tax	70,690	57,643
State tax credits	494,582	331,240
Local option sales tax	753,796	677,656
Grants not restricted to specific purposes	9,875	4,212
Unrestricted investment earnings	100,324	122,178
Other general revenues	98,615	123,690
Total revenues	16,470,784	19,557,103
Program expenses:		
Public safety and legal services	3,587,019	3,727,024
Physical health and social services	263,396	278,194
Mental health	2,075,520	720,291
County environment and education	956,464	939,561
Roads and transportation	6,056,553	6,545,035
Governmental services to residents	499,978	513,308
Administration	1,812,365	1,885,477
Non-program	994,371	1,297,907
Interest on long-term debt	817,120	869,563
Total expenses	17,062,786	16,776,360
Change in net position	(592,002)	2,780,743
Net position beginning of year, as restated	27,950,026	28,192,708
Net position end of year	\$ 27,358,024	30,973,451

Hardin County's net position of governmental activities decreased approximately \$592,000 during the year. Total revenues decreased approximately \$3.1 million over the prior year, with property tax revenue up from the prior year approximately \$795,000 or 11.2%. Capital grants, contributions and restricted interest decreased due to the receipt of \$714,000 in state grant money and \$721,000 from the Heritage Foundation for the Hardin/Marshall County trail in fiscal year 2014. The total cost of all programs and services increased by 1.7% or approximately \$286,000.

The cost of all governmental activities this year was approximately \$17.1 million compared to approximately \$16.8 million last year. However, as shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities was approximately \$10 million

because some of the cost was paid by those who directly benefited from the programs (approximately \$2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$5.1 million).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2015 from approximately \$11,172,000 to approximately \$7,080,000. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$10 million) with taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$8.6 million, a decrease of approximately \$82,000 below last year's total of approximately \$8.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$1.6 million and expenditures decreased approximately \$1.5 million when compared to the prior year. The ending fund balance showed a modest decrease of approximately \$11,000 from the prior year to approximately \$3,372,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. In July 2012 the County joined the Central Iowa Community Service Region. This Agency is a 10 county member agency established to help consolidate mental health services and costs. For the year, expenditures totaled approximately \$1,727,000, an increase of 339% from the prior year. Reflected in this increase is a payment to the Region of approximately \$1.4 million. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$885,000 from the prior year.
- There were no significant changes in revenues, expenditures and the fund balance of the Special Revenue, Rural Services Fund.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$448,000 due to an increase in federal emergency management funds received in 2015. Expenditures decreased approximately \$968,000 due principally to a decrease in new equipment purchases and equipment operation expenses. This increase in revenues and decrease in expenditures resulted in an increase in the Special Revenue, Secondary Roads Fund ending balance of approximately \$528,000.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.
- The Capital Projects Fund balance decreased approximately \$86,000. The County paid for various projects including new cabins at a county park and upgrades at the county jail.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Hardin County amended its budget two times. The first amendment was made on July 16, 2014 and resulted in an increase in budgeted disbursements related to capital projects. The second budget amendment was made on April 15, 2015. This amendment was made to increase expenditures related to mental health expenses for payments to the Central Iowa Community Service Region.

The County's receipts were \$772,039 more than budgeted, a variance of 4.8%.

Total disbursements were \$1,795,829 less than the amended budget. Actual disbursements for the capital projects, public safety and legal services and mental health were \$1,126,064, \$472,287 and \$399,476, respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amount in the debt service and non-program functions for the year ended June 30, 2015. Capital projects was amended in error for expenditures that were paid out of the non-program function.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, Hardin County had approximately \$61 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$993,000 or 1.7% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 2,600	2,600
Buildings and improvements	12,053	11,846
Machinery and equipment	9,954	9,462
Infrastructure	36,526	36,232
Total	<u>\$ 61,133</u>	<u>60,140</u>
This year's major additions included (in thousands):		
Secondary road equipment	\$	280
Log cabins		110
Calkins Nature Center addition		34
Jail improvements		129
Sheriff's vehicles		46
Roadway construction and maintenance		1,250
Total	<u>\$</u>	<u>1,849</u>

The County had depreciation expense of \$2,109,802 in fiscal year 2015 and total accumulated depreciation of \$31,018,006 at June 30, 2015.

The County's fiscal year 2015 capital budget included \$1,786,300 for capital projects, principally for the roadway maintenance and construction and jail improvements. More detailed information about the County's capital assets is presented in Note 8 to the financial statements.

### **Long-Term Debt**

At June 30, 2015, the County had approximately \$27,822,000 in general obligation bonds and other debt outstanding compared to approximately \$29,133,000 at June 30, 2014, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2015	2014
General obligation bonds	\$ 26,245,000	27,910,000
Capital lease purchase agreements	466,804	557,942
Drainage warrants	1,109,973	664,742
	<u>\$ 27,821,777</u>	<u>29,132,684</u>

Debt decreased as a result of annual payments on the general obligation bonds.

The County continues to carry a general obligation bond rating of A1 assigned by national rating agencies to the County's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$82 million. More detailed information about the County's long-term debt is presented in Note 9 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In preparation for the fiscal year 2016 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County increased tax levy rates in fiscal year 2016 to help offset the anticipated decrease in total assessed valuations. The overall economy is improving. Future growth in property tax may come from proposed electric utility lines through the County.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses. There will be a need for additional funding to furnish the inside of the new emergency operations center.

The County has no major capital improvement plans for fiscal year 2016 and will continue to monitor the amount of debt that it has issued.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa, 50627.

**Hardin County**  
**Statement of Net Position**  
**June 30, 2015**

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 8,444,641
Receivables:	
Property tax:	
Delinquent	35,768
Succeeding year	7,598,502
Interest and penalty on property tax	155,968
Accounts	8,099
Accrued interest	8,802
Drainage assessments	446,638
Bond	19,115,000
Due from other governments	614,659
Inventories	560,106
Capital assets, net of accumulated depreciation	30,114,920
<b>Total assets</b>	<u>67,103,103</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>561,620</u>
 <b>Liabilities</b>	
Accounts payable	483,706
Accrued interest payable	91,074
Salaries and benefits payable	117,110
Due to other governments	36,277
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	466,804
General obligation bonds	1,725,000
Compensated absences	315,190
Portion due or payable after one year:	
General obligation bonds	24,520,000
Drainage warrants/drainage improvement certificates	1,109,973
Net pension liability	1,951,929
Net OPEB liability	546,792
<b>Total liabilities</b>	<u>31,363,855</u>
 <b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	7,598,502
Pension related deferred inflows	1,344,342
<b>Total deferred inflows of resources</b>	<u>8,942,844</u>

Hardin County  
Statement of Net Position (Continued)  
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<b>Net Position</b>	
Net investment in capital assets	21,922,046
Restricted for:	
Supplemental levy purposes	831,026
Mental health purposes	108,476
Rural services purposes	1,074,222
Secondary roads purposes	1,633,256
Capital projects	762,116
Other purposes	2,493,745
Unrestricted	(1,466,863)
<b>Total net position</b>	<u><u>\$ 27,358,024</u></u>



**Hardin County**  
**Statement of Activities**  
**Year ended June 30, 2015**

			Program Revenues		
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service			
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 3,587,019	1,196,757	4,200	-	
Physical health and social services	263,396	-	115,027	-	
Mental health	2,075,520	299,163	79,715	-	
County environment and education	956,464	64,354	36,429	94,588	
Roads and transportation	6,056,553	68,940	3,373,394	428,291	
Governmental services to residents	499,978	326,850	210	-	
Administration	1,812,365	25,977	44,071	600,063	
Non-program	994,371	-	-	321,950	
Interest on long-term debt	817,120	-	-	-	
Total	\$ 17,062,786	1,982,041	3,653,046	1,444,892	

**General Revenues:**

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Grants not restricted to specific purposes

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year, as restated

Net position end of year

<hr/> Net (Expense) Revenue and Changes in Net Position <hr/>	
	(2,386,062)
	(148,369)
	(1,696,642)
	(761,093)
	(2,185,928)
	(172,918)
	(1,142,254)
	(672,421)
	(817,120)
	<hr/>
	(9,982,807)
	<hr/>
	6,711,135
	549,022
	602,766
	70,690
	494,582
	753,796
	9,875
	100,324
	98,615
	<hr/>
	9,390,805
	<hr/>
	(592,002)
	<hr/>
	27,950,026
	<hr/>
\$	<u><u>27,358,024</u></u>

Hardin County  
Balance Sheet  
Governmental Funds  
June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 3,421,974	138,643	990,017	1,099,523
Receivables:				
Property tax:				
Delinquent	25,039	2,873	5,126	-
Succeeding year	5,044,898	578,692	1,381,794	-
Interest and penalty on property tax	155,968	-	-	-
Accounts	5,850	-	-	2,249
Accrued interest	8,802	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	158,872	3,019	92,569	337,057
Inventories	-	-	-	560,106
<b>Total assets</b>	<b>\$ 8,821,403</b>	<b>723,227</b>	<b>2,469,506</b>	<b>1,998,935</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 152,475	598	5,608	177,229
Salaries and benefits payable	53,495	979	2,787	59,849
Due to other governments	17,446	-	-	18,831
Total liabilities	223,416	1,577	8,395	255,909
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,044,898	578,692	1,381,794	-
Other	180,890	2,864	5,095	-
Total deferred inflows of resources	5,225,788	581,556	1,386,889	-

Debt Service	Capital Projects	Nonmajor	Total
67,296	752,852	1,407,088	7,877,393
2,730	-	-	35,768
593,118	-	-	7,598,502
-	-	-	155,968
-	-	-	8,099
-	-	-	8,802
-	-	446,638	446,638
-	11,571	11,571	614,659
-	-	-	560,106
663,144	764,423	1,865,297	17,305,935

-	2,307	5,455	343,672
-	-	-	117,110
-	-	-	36,277
-	2,307	5,455	497,059

593,118	-	-	7,598,502
2,722	-	434,795	626,366
595,840	-	434,795	8,224,868

Hardin County  
Balance Sheet (Continued)  
Governmental Funds  
June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Fund balances:				
Nonspendable:				
Inventories	\$ -	-	-	560,106
Restricted for:				
Supplemental levy purposes	831,026	-	-	-
Mental health purposes	-	140,094	-	-
Rural services purposes	-	-	1,074,222	-
Secondary road purposes	-	-	-	1,182,920
Conservation land acquisition	1,979	-	-	-
Drainage district purposes	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Cemetary levy	39,227	-	-	-
Other purposes	-	-	-	-
Assigned for conservation resources	832,338	-	-	-
Assigned for sheriff	6,626	-	-	-
Unassigned	1,661,003	-	-	-
Total fund balances	3,372,199	140,094	1,074,222	1,743,026
<b>Total liabilities, deferred inflows of resources</b>				
<b>and fund balances</b>	<b>\$ 8,821,403</b>	<b>723,227</b>	<b>2,469,506</b>	<b>1,998,935</b>

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	560,106
-	-	-	831,026
-	-	-	140,094
-	-	-	1,074,222
-	-	-	1,182,920
-	-	-	1,979
-	-	135,395	135,395
67,304	-	-	67,304
-	762,116	-	762,116
-	-	-	39,227
-	-	1,289,652	1,289,652
-	-	-	832,338
-	-	-	6,626
-	-	-	1,661,003
67,304	762,116	1,425,047	8,584,008
663,144	764,423	1,865,297	17,305,935

Hardin County ·  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
June 30, 2015

Exhibit D

**Total governmental fund balances (page 19)** **\$ 8,584,008**

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$61,132,926 and the accumulated depreciation is \$31,018,006. 30,114,920

Bond receivable is not due and receivable in the current year and, therefore, is not reported in the governmental funds. 19,115,000

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 626,366

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 427,214

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 561,620	
Deferred inflows of resources	(1,344,342)	(782,722)

Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences payable, accrued interest payable, other post employment benefits payable, net pension liability and drainage warrants/drainage improvement certificates payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (30,726,762)

**Net position of governmental activities (page 13)** **\$ 27,358,024**

Hardin County  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,288,710	771,772	1,648,209	-
Local option sales tax	-	-	571,133	-
Interest and penalty on property tax	51,410	-	-	-
Intergovernmental	2,039,531	69,129	85,922	3,801,685
Licenses and permits	2,500	-	-	3,930
Charges for service	486,796	-	-	-
Use of money and property	182,369	-	-	-
Miscellaneous	91,094	678	-	65,010
Total revenues	7,142,410	841,579	2,305,264	3,870,625
Expenditures:				
Operating:				
Public safety and legal services	3,357,052	-	108,372	-
Physical health and social services	260,788	-	-	-
Mental health	347,468	1,726,608	-	-
County environment and education	613,994	-	263,116	-
Roads and transportation	-	-	106,343	4,687,357
Governmental services to residents	481,889	-	2,351	-
Administration	1,683,309	-	40,939	-
Non-program	93,749	-	46,349	-
Debt service	-	-	-	-
Capital projects	65,330	-	-	219,603
Total expenditures	6,903,579	1,726,608	567,470	4,906,960
Excess (deficiency) of revenues over (under) expenditures	238,831	(885,029)	1,737,794	(1,036,335)
Other financing sources (uses):				
Operating transfers in	-	-	-	1,564,724
Operating transfers out	(250,000)	-	(1,564,724)	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(250,000)	-	(1,564,724)	1,564,724
Change in fund balances	(11,169)	(885,029)	173,070	528,389
Fund balances beginning of year	3,383,368	1,025,123	901,152	1,214,637
Fund balances end of year	\$ 3,372,199	140,094	1,074,222	1,743,026



Debt Service	Capital Projects	Nonmajor	Total
548,756	-	582,974	7,840,421
-	171,092	11,571	753,796
-	-	-	51,410
39,592	4,400	34,899	6,075,158
-	-	-	6,430
-	-	3,256	490,052
-	-	498	182,867
1,454,803	125	202,235	1,813,945
2,043,151	175,617	835,433	17,214,079
-	-	-	3,465,424
-	-	-	260,788
-	-	-	2,074,076
-	-	-	877,110
-	-	-	4,793,700
-	-	16,363	500,603
-	-	-	1,724,248
-	-	767,802	907,900
2,287,455	-	199,712	2,487,167
-	261,554	109,500	655,987
2,287,455	261,554	1,093,377	17,747,003
(244,304)	(85,937)	(257,944)	(532,924)
250,000	-	-	1,814,724
-	-	-	(1,814,724)
-	-	451,014	451,014
250,000	-	451,014	451,014
5,696	(85,937)	193,070	(81,910)
61,608	848,053	1,231,977	8,665,918
67,304	762,116	1,425,047	8,584,008

# Hardin County

Exhibit F

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year ended June 30, 2015

**Change in fund balances - Total governmental funds (page 22)** \$ (81,910)

*Amounts reported for governmental activities in the Statement of Activities  
are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 1,010,118	
Depreciation expense	<u>(2,109,802)</u>	(1,099,684)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax	21,990	
Other	<u>113,931</u>	135,921

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issued	(451,014)	
Repaid	<u>876,921</u>	425,907

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

441,156

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	25,913	
Other postemployment benefits	(95,195)	
Pension expense	(152,382)	
Interest on long-term debt	<u>5,047</u>	(216,617)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(196,775)

**Change in net position of governmental activities (page 15)**

\$ (592,002)

Hardin County  
Statement of Net Position  
Proprietary Fund  
June 30, 2015

Exhibit G

	<u>Internal Service - Employee Group Health</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 567,248
<b>Current Liabilities</b>	
Accounts payable	<u>140,034</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 427,214</u></u>

Hardin County  
Statement of Revenues, Expenses  
and Changes in Fund Net Position  
Proprietary Fund  
Year ended June 30, 2015

Exhibit H

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,284,778
Reimbursements from employees and others		550,116
Insurance reimbursements		199,443
Total operating revenues		<u>2,034,337</u>
Operating expenses:		
Medical claims	\$ 1,768,628	
Insurance premiums	356,887	
Administrative fees	90,392	
Miscellaneous	17,533	2,233,440
Operating loss		<u>(199,103)</u>
Non-operating revenue:		
Interest income		2,328
Net loss		<u>(196,775)</u>
Net position beginning of year		<u>623,989</u>
Net position end of year		<u><u>\$ 427,214</u></u>

Hardin County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2015

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,284,778
Cash received from employees and others	749,559
Cash payments to suppliers for services	<u>(2,247,948)</u>
Net cash used by operating activities	(213,611)
Cash flows from investing activities:	
Interest on investments	<u>2,328</u>
Net decrease in cash and cash equivalents	(211,283)
Cash and cash equivalents beginning of year	<u>778,531</u>
Cash and cash equivalents end of year	<u><u>\$ 567,248</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (199,103)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	<u>(14,508)</u>
Net cash used by operating activities	<u><u>\$ (213,611)</u></u>

Hardin County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015

Exhibit J

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,288,652
Other County officials	142,767

Receivables:

Property tax receivable:

Delinquent	106,449
Succeeding year	19,591,130

Accounts	21,090
----------	--------

Due from other governments	249,295
----------------------------	---------

<b>Total assets</b>	<u>21,399,383</u>
---------------------	-------------------

**Liabilities**

Accounts payable	5,772
------------------	-------

Due to other governments	21,226,738
--------------------------	------------

Trusts payable	151,254
----------------	---------

Compensated absences	15,619
----------------------	--------

<b>Total liabilities</b>	<u>21,399,383</u>
--------------------------	-------------------

<b>Net position</b>	<u><u>\$ -</u></u>
---------------------	--------------------

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (1) Summary of Significant Accounting Policies

Hardin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Hardin County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Hardin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred seventy-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Hardin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County  
Notes to Financial Statements  
June 30, 2015

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Heartland Risk Pool Insurance, Hardin County Solid Waste Commission, Rural Iowa Waste Management Association, Central Iowa Community Service Region, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission, Central Iowa Juvenile Detention Center and Iowa River Valley Early Childhood Area.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.



# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (1) Summary of Significant Accounting Policies (continued)

##### B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

##### Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### **(1) Summary of Significant Accounting Policies (continued)**

##### **B. Basis of Presentation (continued)**

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

##### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(1) Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Cash – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(1) Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Bond Receivable – Bond receivable represents amounts due from the Ellsworth Municipal Hospital for payment on the general obligation bonds issued by the County.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (1) Summary of Significant Accounting Policies (continued)

##### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Hardin County  
Notes to Financial Statements  
June 30, 2015

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of the property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(1) Summary of Significant Accounting Policies (continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the non-program and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (2) Cash, Cash Equivalents and Pooled Investments (continued)

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,705 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The County places no limit on the amount which may be invested in any one issuer.

#### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,564,724
Debt Service	General	250,000
Total		<u>\$ 1,814,724</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

#### (4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.



# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (4) Pension Plan (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputies and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Hardin County**  
**Notes to Financial Statements**  
**June 30, 2015**

**(4) Pension Plan (continued)**

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$441,156.

Collective Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,951,929 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the collective net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's proportion was .0492177%, which was a decrease of .011301% from its proportion at June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$152,381. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(4) Pension Plan (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,425	38,782
Changes of assumptions	95,123	27,519
Net difference between projected and actual earnings on pension plan investments	-	1,198,594
Changes in proportion and differences between County contributions and proportionate share of contributions	1,916	79,447
County contributions subsequent to the measurement date	441,156	-
Total	<u>\$ 561,620</u>	<u>1,344,342</u>

\$441,156 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (305,556)
2017	(305,556)
2018	(305,556)
2019	(305,556)
2020	(1,654)
	<u>\$ (1,223,878)</u>

There were no non-employer contributing entities at IPERS.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (4) Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2010)	4.00 percent, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (4) Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset):	\$ 4,671,308	\$ 1,951,929	\$ (341,129)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the County did not report any payables to the defined benefit pension plan as all employer contributions and employee contributions that had been withheld from employee wages had been remitted to IPERS before year end.

#### (5) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 100 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription benefits are provided through a partially self-funded medical plan administered by Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(5) Other Postemployment Benefits (OPEB) (continued)**

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 129,826
Interest on net OPEB obligation	20,322
Adjustment to annual required contribution	<u>(27,724)</u>
Annual OPEB cost	122,424
Contributions made	<u>(27,229)</u>
Increase in net OPEB obligation	95,195
Net OPEB obligation beginning of year	<u>451,597</u>
Net OPEB obligation end of year	<u><u>\$ 546,792</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ending June 30, 2015, plan members eligible for benefits contributed \$27,229, or 100%, of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 115,018	17%	\$ 94,941
2011	112,822	30%	173,476
2012	116,172	31%	253,282
2013	129,826	17%	356,937
2014	123,975	24%	451,597
2015	122,424	22%	546,792

**Hardin County**  
**Notes to Financial Statements**  
**June 30, 2015**

**(5) Other Postemployment Benefits (OPEB) (continued)**

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,206,456, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,206,456. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,028,545 and the ratio of the UAAL to covered payroll was 30%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$623 per month for retirees and \$1,186 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Hardin County**  
**Notes to Financial Statements**  
**June 30, 2015**

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 17,446
Special Revenue:		
Secondary Roads	Services	18,831
Total for governmental funds		<u>\$ 36,277</u>
Agency:		
County Assessor	Collections	\$ 238,081
Schools		11,766,366
Community Colleges		1,467,571
Corporations		5,856,898
Townships		421,137
Auto License and Use Tax		511,456
E911 Surcharge		489,697
All other		475,532
Total for agency funds		<u>\$ 21,226,738</u>

**(7) Operating Leases**

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a postage machines through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on various dates through December 2016. The following is a schedule by year of the total annual lease costs required under the operating leases.

<u>Year ending</u> <u>June 30,</u>	<u>Annual</u> <u>Rent</u> <u>Due</u>
2015	\$ 15,474
2016	8,244
2017	4,122
2018	-
2019	-
Total	<u>\$ 27,840</u>

The total annual lease costs for the year ended June 30, 2015 were \$18,834.



Hardin County  
Notes to Financial Statements  
June 30, 2015

**(8) Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,599,790	-	-	2,599,790
Total capital assets not being depreciated	2,599,790	-	-	2,599,790
Capital assets being depreciated:				
Buildings and improvements	11,846,227	207,434	-	12,053,661
Equipment and vehicles	9,462,542	508,807	17,645	9,953,704
Infrastructure, road network	36,231,894	293,877	-	36,525,771
Total capital assets being depreciated	57,540,663	1,010,118	17,645	58,533,136
Less accumulated depreciation for:				
Buildings and improvements	3,575,425	274,900	-	3,850,325
Equipment and vehicles	5,778,945	584,741	17,645	6,346,041
Infrastructure, road network	19,571,479	1,250,161	-	20,821,640
Total accumulated depreciation	28,925,849	2,109,802	17,645	31,018,006
Total capital assets being depreciated, net	28,614,814	(1,099,684)	-	27,515,130
Governmental activities capital assets, net	\$ 31,214,604	(1,099,684)	-	30,114,920

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 282,668
Physical health and social services	4,013
Mental health	3,646
County environment and education	51,774
Roads and transportation	1,725,837
Governmental services to residents	888
Administration	40,976
Total depreciation expense - governmental activities	\$ 2,109,802

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (9) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Net OPEB Liability	Net Pension Liability	Total
Balance beginning of year	\$ 27,910,000	557,942	341,103	664,742	451,597	3,474,794	33,400,178
Increases	-	-	1,313	451,014	95,195	-	547,522
Decreases	1,665,000	91,138	27,226	5,783	-	1,522,865	3,312,012
Balance end of year	\$ 26,245,000	466,804	315,190	1,109,973	546,792	1,951,929	30,635,688
Due within one year	\$ 1,725,000	466,804	315,190	-	-	-	2,506,994

#### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease motor graders for the secondary road department with an historical cost of \$607,317. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.95% to 3.02% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2015:

Year ending June 30,	Motor Graders
2016	\$ 480,750
Total minimum lease payments	480,750
Less amount representing interest	13,946
Present value of net minimum lease payments	\$ 466,804

Payments under capital lease purchase agreements totaled \$91,138 for the year ended June 30, 2015.

#### Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (9) Long-Term Liabilities (continued)

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

#### Bonds Payable

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2016	1.35 - 3.75 %	\$	1,725,000	769,510	2,494,510
2017	1.70 - 4.00		1,775,000	723,911	2,498,911
2018	1.95 - 4.00		1,815,000	675,183	2,490,183
2019	2.20 - 3.40		1,465,000	624,546	2,089,546
2020	2.45 - 3.40		1,505,000	587,460	2,092,460
2021-2025	2.50 - 3.85		7,970,000	2,312,294	10,282,294
2026-2030	3.25 - 3.85		7,225,000	1,131,787	8,356,787
2031-2032	3.25		2,765,000	135,525	2,900,525
Total		\$	26,245,000	6,960,216	33,205,216

During the year ended June 30, 2015, the County retired \$1,665,000 of general obligation bonds.

#### (10) Hardin County Employee Group Health Fund

The Hardin County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

# Hardin County

## Notes to Financial Statements

### June 30, 2015

#### (10) Hardin County Employee Group Health Fund (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2015 total \$140,034, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$427,214 at June 30, 2015 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 154,542
Incurred claims (including claims incurred but not reported at June 30, 2015)	1,768,628
Payments:	
Payments on claims during the fiscal year	<u>1,783,136</u>
Unpaid claims end of year	<u><u>\$ 140,034</u></u>

#### (11) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 to provide workers' compensation and property/casualty insurance for its members. The Pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating fund at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

**Hardin County**  
**Notes to Financial Statements**  
**June 30, 2015**

**(11) Risk Management (continued)**

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2015, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$5,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2015, 2014 and 2013, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$423,600.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**(12) Hardin County Financial Information Included in the Mental Health/Disability Services of the Central Iowa Community Service Region**

Mental Health/Disability Services of the Central Iowa Community Service Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Hardin County's Special Revenue, Mental Health Fund is included in the Mental Health/Disability Services of the Central Iowa Community Service Region for the year ended June 30, 2015 as follows:

# Hardin County

## Notes to Financial Statements

### June 30, 2015

**(12) Hardin County Financial Information Included in the Mental Health/Disability Services of the Central Iowa Community Service Region (Continued)**

Revenues:

Property and other county tax		\$ 771,772
Intergovernmental revenues:		
State tax credits	\$ 56,407	
Social services block grant	12,665	
Other intergovernmental revenues	57	69,129
Miscellaneous		678
Total revenues		<u>841,579</u>

Expenditures:

Services to persons with:		
Mental illness	261,734	
Intellectual disabilities	28,453	
Other developmental disabilities	35,747	325,934
General administration		
Direct administration	75,327	
Purchased administration	6,328	
Distribution to regional fiscal agent	1,297,991	1,379,646
County provided case management		21,028
Total expenditures		<u>1,726,608</u>
Deficiency of revenues under expenditures		(885,029)
Fund balance beginning of year		<u>1,025,123</u>
Fund balance end of year		<u>\$ 140,094</u>

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Hardin County  
Notes to Financial Statements  
June 30, 2015

**(13) Accounting Change/Restatement (continued)**

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 30,973,451
Net pension liability at June 30, 2014	(3,474,794)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>451,369</u>
Net position July 1, 2014, as restated	<u><u>\$ 27,950,026</u></u>

**(14) Subsequent Event**

Management has evaluated subsequent events through November 25, 2015, the date on which the financial statements were available to be issued.

### **Required Supplementary Information**



Hardin County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds  
 Required Supplementary Information  
 Year ended June 30, 2015

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 8,586,455	-
Interest and penalty on property tax	55,736	-
Intergovernmental	5,979,410	-
Licenses and permits	5,935	-
Charges for service	510,623	-
Use of money and property	181,613	-
Miscellaneous	1,822,761	202,235
Total receipts	17,142,533	202,235
Disbursements:		
Public safety and legal services	3,426,445	-
Physical health and social services	261,383	-
Mental health	2,094,698	-
County environment and education	860,945	-
Roads and transportation	5,261,506	-
Governmental services to residents	495,278	-
Administration	1,689,224	-
Non-program	1,624,726	767,802
Debt service	2,487,169	-
Capital projects	660,236	-
Total disbursements	18,861,610	767,802
Deficiency of receipts under disbursements	(1,719,077)	(565,567)
Other financing sources, net	451,014	451,014
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,268,063)	(114,553)
Balance beginning of year	9,145,456	249,948
Balance end of year	\$ 7,877,393	135,395

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
8,586,455	8,405,288	8,403,711	182,744
55,736	37,300	37,300	18,436
5,979,410	5,506,708	5,569,959	409,451
5,935	4,000	4,000	1,935
510,623	441,265	441,265	69,358
181,613	173,199	173,199	8,414
1,620,526	1,506,602	1,538,825	81,701
16,940,298	16,074,362	16,168,259	772,039
3,426,445	3,898,732	3,898,732	472,287
261,383	283,150	283,150	21,767
2,094,698	1,194,174	2,494,174	399,476
860,945	917,490	943,490	82,545
5,261,506	5,454,314	5,454,314	192,808
495,278	527,649	527,649	32,371
1,689,224	1,875,409	1,910,280	221,056
856,924	104,682	104,682	(752,242)
2,487,169	2,486,866	2,486,866	(303)
660,236	687,300	1,786,300	1,126,064
18,093,808	17,429,766	19,889,637	1,795,829
(1,153,510)	(1,355,404)	(3,721,378)	2,567,868
-	-	-	-
(1,153,510)	(1,355,404)	(3,721,378)	2,567,868
8,895,508	7,264,506	7,264,506	1,631,002
7,741,998	5,909,102	3,543,128	4,198,870

Hardin County  
 Budgetary Comparison Schedule -  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 17,142,533	71,546	17,214,079
Expenditures	18,861,610	(1,114,607)	17,747,003
Net	(1,719,077)	1,186,153	(532,924)
Other financing sources, net	451,014	-	451,014
Beginning fund balances	9,145,456	(479,538)	8,665,918
Ending fund balances	<u>\$ 7,877,393</u>	<u>706,615</u>	<u>8,584,008</u>

Hardin County  
Notes to Required Supplementary Information-  
Budgetary Reporting  
June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,459,871. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the non-program and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

**Hardin County**  
**Schedule of the County's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**Last Fiscal Year\***  
**Required Supplementary Information**

	<u>2015</u>
County's proportion of the net pension liability	0.0492177 %
County's proportionate share of the net pension liability	\$ 1,951,929
County's covered-employee payroll	\$ 4,889,832
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.90 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

\* The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

**Hardin County**  
**Schedule of County Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years**  
**Required Supplementary Information**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 441,156	451,369	439,729	408,081
Contributions in relation to the statutorily required contribution	<u>(441,156)</u>	<u>(451,369)</u>	<u>(439,729)</u>	<u>(408,081)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 4,794,191	4,889,832	4,863,880	4,768,776
Contributions as a percentage of covered-employee payroll	9.20%	9.23%	9.04%	8.56%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
357,144	327,768	306,318	267,244	257,039	248,242
<u>(357,144)</u>	<u>(327,768)</u>	<u>(306,318)</u>	<u>(267,244)</u>	<u>(257,039)</u>	<u>(248,242)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,670,416	4,587,194	4,477,860	4,268,137	4,214,989	4,083,531
7.65%	7.15%	6.84%	6.26%	6.10%	6.08%

# Hardin County

## Notes to Required Supplementary Information – Pension Liability

### Year ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the



calculation of the UAL amortization payments for one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Hardin County  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,071,595	27.0%
2011	July 1, 2009	-	1,097,804	1,097,804	0.0	3,966,060	27.7
2012	July 1, 2009	-	1,097,804	1,097,804	0.0	4,259,583	25.8
2013	July 1, 2012	-	1,206,456	1,206,456	0.0	4,019,439	30.0
2014	July 1, 2012	-	1,206,456	1,206,456	0.0	4,115,109	29.0
2015	July 1, 2012	-	1,206,456	1,206,456	0.0	4,028,545	30.0

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Supplementary Information**

Hardin County  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 3,081	583,669	18
Due from other governments	-	-	-
Drainage assessments receivable	-	-	-
<b>Total assets</b>	<b>\$ 3,081</b>	<b>583,669</b>	<b>18</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	-	-
<b>Deferred inflows of resources:</b>			
<b>Unavailable revenues:</b>			
Other	-	-	-
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	3,081	583,669	18
<b>Total fund balances</b>	<b>3,081</b>	<b>583,669</b>	<b>18</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,081</b>	<b>583,669</b>	<b>18</b>

Special Revenue					
Garden Wind Farm TIF	State Forfeiture Funds	County Recorder's Records Management	Community Betterment/ Local Option Sales Tax	Drainage Districts	Total
639,768	1,408	55,592	-	123,552	1,407,088
-	-	-	11,571	-	11,571
-	-	-	-	446,638	446,638
639,768	1,408	55,592	11,571	570,190	1,865,297
-	-	5,455	-	-	5,455
-	-	-	-	434,795	434,795
-	-	-	-	135,395	135,395
639,768	1,408	50,137	11,571	-	1,289,652
639,768	1,408	50,137	11,571	135,395	1,425,047
639,768	1,408	55,592	11,571	570,190	1,865,297

Hardin County  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2015

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Revenues:			
Property and other county tax	\$ -	149,485	-
Local option sales tax	-	-	-
Intergovernmental	15,107	3,205	-
Charges for service	-	-	-
Use of money and property	288	-	-
Miscellaneous	-	-	-
Total revenues	15,395	152,690	-
Expenditures:			
Operating:			
Governmental services to residents	-	-	-
Non-program	-	-	-
Capital projects	109,500	-	-
Debt service	-	113,922	-
Total expenditures	109,500	113,922	-
Excess (deficiency) of revenues over (under) expenditures	(94,105)	38,768	-
Other financing sources:			
Drainage warrants/drainage improvement certificates issued	-	-	-
Change in fund balances	(94,105)	38,768	-
Fund balances beginning of year	97,186	544,901	18
Fund balances end of year	\$ 3,081	583,669	18

Special Revenue					
Garden Wind Farm TIF	State Forfeiture Funds	County Recorder's Records Management	Community Betterment/ Local Option Sales Tax	Drainage Districts	Total
433,489	-	-	-	-	582,974
-	-	-	11,571	-	11,571
16,587	-	-	-	-	34,899
-	-	3,256	-	-	3,256
-	-	210	-	-	498
-	-	-	-	202,235	202,235
450,076	-	3,466	11,571	202,235	835,433
-	-	16,363	-	-	16,363
-	-	-	-	767,802	767,802
-	-	-	-	-	109,500
85,790	-	-	-	-	199,712
85,790	-	16,363	-	767,802	1,093,377
364,286	-	(12,897)	11,571	(565,567)	(257,944)
-	-	-	-	451,014	451,014
364,286	-	(12,897)	11,571	(114,553)	193,070
275,482	1,408	63,034	-	249,948	1,231,977
639,768	1,408	50,137	11,571	135,395	1,425,047

Hardin County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,389	59,560	120,909
Other County officials	142,767	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,117	951	53,321
Succeeding year	-	225,000	191,612	11,592,136
Accounts	500	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 143,267</b>	<b>228,506</b>	<b>252,123</b>	<b>11,766,366</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	333	-
Due to other governments	16,336	228,506	238,081	11,766,366
Trusts payable	126,931	-	-	-
Compensated absences	-	-	13,709	-
<b>Total liabilities</b>	<b>\$ 143,267</b>	<b>228,506</b>	<b>252,123</b>	<b>11,766,366</b>



Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
15,713	95,963	3,266	28	15,476	511,456	165,322
-	-	-	-	-	-	-
7,412	41,937	1,697	14	-	-	-
1,444,446	5,718,998	416,174	2,764	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	23,196
1,467,571	5,856,898	421,137	2,806	15,476	511,456	188,518
-	-	-	-	-	-	559
1,467,571	5,856,898	421,137	2,806	15,476	511,456	186,049
-	-	-	-	-	-	-
-	-	-	-	-	-	1,910
1,467,571	5,856,898	421,137	2,806	15,476	511,456	188,518

Hardin County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
June 30, 2015

	E911 Surcharge	Drainage Districts	Third Party Payees	Other	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 247,888	(40,602)	18,563	72,721	1,288,652
Other County officials	-	-	-	-	142,767
Receivables:					
Property tax:					
Delinquent	-	-	-	-	106,449
Succeeding year	-	-	-	-	19,591,130
Accounts	20,590	-	-	-	21,090
Due from other governments	226,099	-	-	-	249,295
<b>Total assets</b>	<b>\$ 494,577</b>	<b>(40,602)</b>	<b>18,563</b>	<b>72,721</b>	<b>21,399,383</b>
<b>Liabilities</b>					
Accounts payable	\$ 4,880	-	-	-	5,772
Due to other governments	489,697	(40,602)	-	66,961	21,226,738
Trusts payable	-	-	18,563	5,760	151,254
Compensated absences	-	-	-	-	15,619
<b>Total liabilities</b>	<b>\$ 494,577</b>	<b>(40,602)</b>	<b>18,563</b>	<b>72,721</b>	<b>21,399,383</b>

Hardin County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds  
Year ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 154,602	222,559	260,257	11,163,601	1,482,314
Additions:					
Property and other county tax	-	212,738	182,267	10,989,325	1,399,054
E911 surcharge	-	-	-	-	-
State tax credits	-	15,101	11,627	765,463	102,463
Grants	-	-	-	-	-
Interest	314	-	-	-	-
Office fees and collections	1,484,801	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	344,857	-	-	-	-
Miscellaneous	-	-	22	-	-
Total additions	1,829,972	227,839	193,916	11,754,788	1,501,517
Deductions:					
Agency remittances:					
To other funds	1,318,784	-	-	-	-
To other governments	152,899	221,892	202,050	11,152,023	1,516,260
Trusts paid out	369,624	-	-	-	-
Total deductions	1,841,307	221,892	202,050	11,152,023	1,516,260
Balances end of year	\$ 143,267	228,506	252,123	11,766,366	1,467,571

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Local Emergency Management Services
5,494,747	408,520	2,653	4,271	432,867	-	157,087
7,572,670	398,738	2,612	-	-	-	-
-	-	-	-	-	-	-
742,823	19,851	180	-	-	-	-
-	-	-	-	-	-	30,108
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6,067,052	-	-
-	-	-	-	-	94,413	-
-	-	-	55,182	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	77,081
8,315,493	418,589	2,792	55,182	6,067,052	94,413	107,189
-	-	-	-	187,835	31,593	-
7,953,342	405,972	2,639	43,977	5,800,628	62,820	75,758
-	-	-	-	-	-	-
7,953,342	405,972	2,639	43,977	5,988,463	94,413	75,758
5,856,898	421,137	2,806	15,476	511,456	-	188,518

Hardin County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
Year ended June 30, 2015

	Drainage Districts	E911 Surcharge	Tax Sale Redemption Non-County	Third Party Payees
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 20,628	525,929	-	9,967
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	187,678	-	-
State tax credits	-	-	-	-
Grants	-	200,000	-	-
Interest	-	1,671	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	14,598	-	-	-
Trusts	-	-	221,675	88,777
Miscellaneous	-	-	-	-
Total additions	14,598	389,349	221,675	88,777
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	75,828	420,701	221,675	-
Trusts paid out	-	-	-	80,181
Total deductions	75,828	420,701	221,675	80,181
Balances end of year	\$ (40,602)	494,577	-	18,563

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Other	Total
46,956	20,386,958

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-	20,757,404
-	187,678
-	1,657,508
-	230,108
-	1,985
-	1,484,801
-	6,067,052
-	94,413
-	69,780
415,841	1,071,150
3,256	80,359
419,097	31,702,238

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-	1,538,212
393,332	28,701,796
-	449,805
393,332	30,689,813
72,721	21,399,383

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Hardin County  
Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds  
For the Last Ten Years

		2015	2014	2013	2012
<b>Revenues:</b>					
Property and other county tax	\$	7,840,421	7,067,670	6,512,506	6,426,282
Local option sales tax		753,796	677,656	638,592	630,507
Interest and penalty on property tax		51,410	49,496	50,735	54,121
Intergovernmental		6,075,158	6,897,612	6,225,000	7,683,304
Licenses and permits		6,430	5,830	4,825	26,282
Charges for service		490,052	478,639	473,821	494,711
Use of money and property		182,867	201,140	159,932	198,546
Miscellaneous		1,813,945	895,551	1,011,847	344,474
Total	\$	17,214,079	16,273,594	15,077,258	15,858,227
<b>Expenditures:</b>					
Operating:					
Public safety and legal services	\$	3,465,424	3,556,270	3,602,978	3,518,509
Physical health and social services		260,788	274,436	161,997	207,052
Mental health		2,074,076	709,436	749,434	2,088,962
County environment and education		877,110	889,088	953,821	786,887
Roads and transportation		4,793,700	5,913,588	5,476,613	4,548,742
Governmental services to residents		500,603	514,345	490,320	457,137
Administration		1,724,248	1,702,132	1,802,277	1,702,756
Non-program		907,900	1,920,904	943,263	1,887,148
Debt service		2,487,167	1,621,762	21,265,774	934,820
Capital projects		655,987	731,101	3,647,205	2,269,922
Total	\$	17,747,003	17,833,062	39,093,682	18,401,935

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
6,438,937	5,983,894	5,850,891	5,447,040	5,112,964	4,577,109
718,785	645,776	693,063	635,029	698,188	633,861
54,368	89,748	47,507	42,934	39,494	38,510
7,503,886	8,039,328	7,643,605	6,494,968	6,744,867	6,900,497
12,712	27,286	13,592	18,901	10,340	8,167
480,505	419,077	457,559	468,832	454,697	487,803
202,184	210,894	252,293	347,759	364,731	245,267
556,342	543,793	165,696	204,634	142,023	191,215
15,967,719	15,959,796	15,124,206	13,660,097	13,567,304	13,082,429
3,423,543	3,378,278	3,220,284	3,044,804	3,032,813	2,885,183
211,600	264,083	300,989	261,448	285,423	285,407
1,747,233	1,754,696	1,932,986	2,003,263	1,875,028	1,804,829
929,516	874,483	987,371	805,515	802,147	1,341,057
5,606,480	4,949,674	5,135,149	4,105,451	4,032,563	4,666,208
409,986	441,706	421,998	424,006	370,894	382,062
1,469,657	1,865,299	1,439,782	1,359,171	1,403,430	1,201,490
1,338,296	220,027	134,945	63,070	78,542	201,437
803,307	2,027,239	623,320	597,781	585,589	521,988
1,548,898	1,583,856	201,587	422,541	599,160	137,082
17,488,516	17,359,341	14,398,411	13,087,050	13,065,589	13,426,743





C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Hardin County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardin County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged by governance. We noted no items that we consider to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Hardin County's Responses to Findings

Hardin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hardin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

November 25, 2015

Hardin County  
Schedule of Findings  
Year ended June 30, 2015

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County  
Schedule of Findings  
Year ended June 30, 2015

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-15 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

Applicable Offices
-----------------------

(1) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.

Recorder

(2) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.

Recorder

(3) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.

Recorder

Recommendation - We realize that segregation of duties is difficult. However, the Recorder should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The Recorder should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We are currently rotating duties monthly for collecting, depositing and reconciling between the two office staff. We will look into having someone in the auditor's office reconcile the bank statement monthly.

Conclusion – Response accepted.

**Hardin County**  
**Schedule of Findings**  
**Year ended June 30, 2015**

**INTERNAL CONTROL DEFICIENCIES (continued):**

II-B-15 Checks Prepared and Held at Year-End – Checks were prepared and signed in payment of vehicles not received. The checks were then held until the items were received. Board approval was received prior to the preparation of those checks.

Recommendation – Chapter 279.29 of the Code of Iowa provides that “the Board shall audit all just claims against the county and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

The procedure described in the above comment weakens the control that the board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment. Therefore, it is recommended that no checks be prepared for claims that have not been properly audited and allowed.

Response – We will try to appropriate the money in the next fiscal year to prevent writing and holding checks at year-end. We will also discuss this with department heads.

Conclusion – Response accepted.

**Part III: Other Findings Related to Required Statutory Reporting:**

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the non-program and debt service functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The budget was amended in April, however the increase was done in the capital project function instead of the non-program function. Appropriations were exceeded due to additional pass through grant money that was not expected. We will monitor both of these items in the future.

Conclusion – Response accepted.

Hardin County  
Schedule of Findings  
Year ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting (continued):**

III-B-15 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-15 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Mesch, maintenance director of the County, owner of J&C Enterprises	Cleaning services for the courthouse	\$ <u>31,100</u>

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

III-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-15 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

III-H-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Hardin County  
Schedule of Findings  
Year ended June 30, 2015

**Part III: Other Findings Related to Required Statutory Reporting (continued):**

III-I-15 E911 Budget – Disbursements during the year ended June 30, 2015 exceed the amount budgeted.

Recommendation – The budget should have been amended by the E911 Commission in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future the E911 service board will request monthly fund reports from the auditor and monitor the expenditures more closely to account for unexpected projects and grant funding.

Conclusion – Response accepted.

III-J-15 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

## Hardin County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

### Personnel:

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